

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** August 5, 2002

**To:** The Commission  
(Meeting of August 8, 2002)

**From:** Bill Julian  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **AJR 45 (Canciamilla)** Independent System Operator

**As Introduced June 29, 2002**

**Recommendation:** Support.

**Summary:** This bill requests that the Federal Energy Regulatory Commission (FERC) reject a proposed policy of the California Independent System Operator (ISO) that, according to the resolution, would "...attribute a disproportionate share of ISO costs to electricity load served by customer generation over private transmission or distribution facilities..."

**Analysis:** The ISO is responsible for operating the CA transmission grid including balancing electric loads and resources. A number of significant loads, particularly oil refineries, are served in part by on-site facilities providing self generation (self gen). Self gen has been considered by the utilities to offset all or a part of the customer's load and provide tariff service for the "net load" at the meter which is the total demand minus the demand served by the self gen facility.

The ISO requires load-serving entities such as utilities to provide reserves in order to maintain system reliability and charges load serving entities, including utilities, for ancillary services including reserves that it acquires if the utility has not provided its own ancillary services including operating reserves. The ISO has taken the position that reserve levels and ancillary service cost should include the loads served by self gen, since those loads will have to met by the load serving entity when the self gen equipment is down. This would add to the cost incurred by the self gen customers, who would either be billed by the ISO (if they have a participating generating agreement (PGA) with the ISO) or by the utility. The self gen customers contend that any applicable charges, including ancillary services, are already contained in the tariffs

under which they take service. This resolution places the legislature on the side of the oil companies against the ISO in this dispute.

The Legislature, in AB 970 enacted in September 2000, addressed the issue as a matter of state law by adding subdivision (f) to the Public Utilities Code §372, directing the California Public Utilities Commission and the Electricity Oversight Board (EOB) to take action to mitigate ISO policies or actions that “unreasonably discourage the connection of existing self generation or cogeneration or new self generation or cogeneration to the grid....” This resolution extends the expression of legislative concern to the FERC, which approves ISO rates and charges for transmission service.

### **SUPPORT/OPPOSITION**

**Support:** California Independent Petroleum Association (CIPA)  
California Chamber of Commerce  
California Cogeneration Council  
California Manufacturers and Technology Association  
Riverside Cement  
Silicon Valley Manufacturing Group  
US Borax  
Western State Petroleum Association

**Opposition:** None reported to the Commission.

### **LEGISLATIVE STAFF CONTACT**

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**Date:** August 2, 2002

BJ:cdl

**BILL LANGUAGE:**

BILL NUMBER: AJR 45      INTRODUCED  
BILL TEXT

INTRODUCED BY    Assembly Members Canciamilla and Florez  
(Coauthors: Senators Costa, Machado, and Torlakson)

APRIL 17, 2002

Assembly Joint Resolution No. 45--Relative to the Independent  
System Operator.

LEGISLATIVE COUNSEL'S DIGEST

AJR 45, as introduced, Canciamilla. Independent System Operator.  
This measure would urge the Federal Energy Regulatory Commission (FERC) to maintain long-standing federal policies to promote the development of customer generation resources and to ensure the California electricity load served by customer generation not incur costs for any transmission related service in excess of the transmission costs included in standby service rates developed using ratemaking principles that existed prior to the establishment of the Independent System Operator (ISO). The measure would also urge the FERC to reject the ISO's proposed gross metering policy as well as other policies detrimental to the further development of customer generation in California.  
Fiscal committee: no.

WHEREAS, California has a long established policy of supporting customer generation resources; and

WHEREAS, Customer generation includes all manner of customer self-reliance, such as cogeneration, distributed generation, and self-generation; and

WHEREAS, Both the California legislative and executive branches of government have consistently supported the development of customer generation; and

WHEREAS, Customer generation promotes energy self-sufficiency through private capital investment; and

WHEREAS, These resources assist in relieving transmission congestion and enhancing the reliability of the electric system by local deployment of generating resources; and

WHEREAS, The Independent System Operator (ISO) is currently pursuing unnecessary and burdensome changes to the metering, scheduling, and operational requirements of customer generation and cogeneration resources in tariff proposals before the Federal Energy Regulatory Commission (FERC); and

WHEREAS, The ISO's proposed gross metering policy, that would attribute a disproportionate share of ISO costs to electricity load served by customer generation over private transmission or distribution facilities, would result in substantially higher ISO fees for electricity load served by customer generation without any additional benefit for customers or for grid reliability; and

WHEREAS, The ISO's overhead costs and staffing are far in excess

of the average for other regional transmission organizations; and

WHEREAS, The ISO's proposed policy is a major disincentive to the successful development of customer generation in California; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly That the Legislature of the State of California urges FERC to do all of the following:

(1) Maintain long-standing federal policies to promote development of customer generation resources.

(2) Ensure the California electricity load served by customer generation not incur costs for any transmission related service in excess of the transmission costs included in standby service rates developed using ratemaking principles that existed prior to the establishment of the ISO; and be it further

Resolved, That the Legislature urges FERC to reject the ISO's proposed gross metering policy as well as other policies detrimental to the further development of customer generation in California; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the author for appropriate distribution.